



State of Utah

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## Utah State Tax Commission

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*Executive Director*

October 23, 2008

Name

Address

City, State Zip

### ***RE: Verification of Sales and Use Tax – Grocery Food Credit***

Dear Name:

The Auditing Division of the Utah State Tax Commission is currently conducting a self-review project on the grocery food credit. A self-review project consists of selected businesses or individuals reviewing their own books and records for potential tax liabilities. Self-reviews are designed to help you become familiar with the tax laws that relate to your business, and assist you in future compliance to help you avoid penalties and interest.

Beginning January 1, 2007, the state sales and use tax rate on food and food ingredients (or grocery food) was reduced from 4.75 percent to 2.75 percent, plus the applicable local rate. On the 2007 sales tax returns, sellers reported taxable sales at the full tax rate, but then could take a credit of 2 percent for any applicable taxable sales of grocery food on line 13 of the sales tax return.

Your business, for one or more tax periods in 2007, reported 100 percent of taxable sales as sales of grocery food. The purpose of this self-review is to determine whether your business qualified for this credit, and if not, to allow you to pay any amounts that were collected from customers, but improperly credited to you. If all your sales are grocery foods, you may have filed correctly. However, if your sales included non-food items, tobacco, alcohol, or prepared foods, you may have incorrectly taken the grocery food tax credit.

### ***What you should do:***

Please read the enclosed **Definitions & Examples** sheet, which explains the difference between grocery food, prepared food, and non-food items. Then complete the **Summary** to determine whether the grocery food credit was properly taken, and if it was not, to calculate the proper tax and interest payment to make at this time.

The **Summary** contains a table listing amounts reported on your 2007 sales and use tax returns for taxable sales and the grocery food credit. Please verify if these amounts are reflected in your own records, and proceed to answer the questions presented. Upon

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completing the **Summary**, please sign and date it at the bottom of the second page. It is important you return the completed forms in the envelope provided, along with your payment of computed tax and interest, if applicable, by November 24, 2008.

Please note, all self-reviews are subject to verification by auditors. The Auditing Division may contact you to obtain additional documentation to confirm statements made in the self-review. Any tax self-reported and paid as part of this self-review will be subject only to interest, and will be limited to the issue of the food tax credit. If you do not respond to this notice in a timely manner, we may contact you to schedule an audit, in which a three-year review will be conducted, and all sales tax issues reviewed. The Tax Commission may assess tax, interest and penalties for that period.

***What to do for future compliance:***

The grocery food credit only applies to the 2007 calendar year. Beginning January 1, 2008, the statewide sales and use tax rate on grocery food was reduced to 3.00 percent (state rate of 1.75 percent, local option rate of 1.00 percent, and county option rate of 0.25 percent), and grocery food sales are now reported on a separate line or schedule from non-food and prepared food on the sales tax return (TC-62S or TC-62M). *Note: The 3.00 percent grocery food rate does not include the 1.00 percent restaurant tax, where applicable.*

***If you have questions or need additional time:***

Email us at [comp@utah.gov](mailto:comp@utah.gov) or you may contact one of the following:

Matthew Duke	(801) 297-4670
Stephen Peterson	(801) 297-4758
Ralph Hoggan	(801) 297-4759

Information to help you complete this self-review can be found on our website at <http://tax.utah.gov/selfreview> (select the **Grocery Food Credit** link). More information on the grocery food sales tax reduction can be found at [http://tax.utah.gov/sales/food\\_rate.html](http://tax.utah.gov/sales/food_rate.html).

Thank you for your prompt attention and cooperation regarding this matter.

Respectfully,



Michael Christensen  
Tax Audit Manager

Enclosures  
mbd